

# Rapid delivery and food retailers: a match made in heaven

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**In recent years, quick commerce has rapidly conquered the inner cities of Europe. Now that the economy is under pressure however, questions are being asked about the longevity, sustainability and profitability of the space. Walther Ploos van Amstel, Professor of City Logistics at the Amsterdam University of Applied Sciences spoke to us on the topic.**

## **If inflation continues and the economy stagnates, will quick commerce disappear?**

It could well be that consumers will keep a tight hold on their purse strings and you can actually see that happening already. But, that said, I don't think that the concept of rapid delivery is losing any of its power. This is not a here today, gone tomorrow trend that will simply blow over.

Quick commerce is a niche market. In food retail, we are talking about a market share of one or two percent, in large cities perhaps five to ten percent. There will always be a category of consumers who choose this service because of its convenience, however, rapid deliverers will have to respond to the current economic instability with products that are cheaper.

If these newcomers to food retail operate smartly and efficiently, quick commerce could eventually become cheaper than doing the shopping yourself. After all, the shop is a very expensive piece of equipment that costs an estimated 20 to 25% of sales. An overpriced machine that is permanently dangling high-margin products in front of it. Those who shop online a little more consciously could be winners.

## **How will food retailers manage the trend towards quick commerce?**

Home delivery is a money-consuming option and with rapid deliveries offering another option for consumers, traditional brands have no choice but to respond. They can do two things to keep costs down. Firstly, they must ensure that handling is done with maximum efficiency by using robots and packaging that is optimised

for handling by robots.

In addition, retailers should make maximum use of data. After all, in logistics, everything revolves around data and time. If you keep waiting for a customer to finally place an order, you will be running and standing still. It is better to create a permanent flow of orders, for example, by studying customer behaviour. For example: if all capacity is currently used, you may have to stretch out the delivery time. Don't promise delivery within 20 minutes, but within 40 or 60 minutes.

Only then is it possible to deploy people optimally. Rapid deliveries, just like home deliveries, are costly if you do not excel in that type of operation.

It makes sense that traditional food retailers and quick commerce companies should work together. Rapid delivery companies can benefit from purchasing advantages and from the efficient distribution networks of more established food retailers as they would never be able to get their own stock into the city so inexpensively.

Food retailers and rapid deliverers are a match made in heaven, but what food retailers should not do is allow those deliverers to pick up stock in shops as they are simply not equipped for that. The best option is to free up space – between 200 to 250 square metres – for a micro-fulfilment centre. Robotics can help to set up such a micro-fulfilment centre efficiently, as the Chinese company Ochama has shown in its first shops in the Netherlands. Such micro-fulfilment centres can therefore also be used as click and collect points for rapid delivery partners.

***“If these newcomers to food retail operate smartly and efficiently, quick commerce could eventually become cheaper”***

## **Is it simply a matter of time before rapid deliverers branch out into the non-food space?**

Groceries and other fast-moving consumer goods are ideal for quick commerce. On average, every household visits a grocery shop five to seven times a week, whereas you'd only ever visit a bookstore let's say, maybe once a month – that is why I am not convinced that we will encounter this diversification to non-food products.

What I do believe is that the same deliverer when he or she is not on another assignment, could pick up a book from the bookshop or a dress from a boutique. So I see synergy already being created thanks to the initiatives of start-ups such as Storeshippers. They pick up products from shops such as Rituals and Nespresso and deliver them to people's homes.

What could make rapid deliveries powerful beyond the grocery sector is partnerships and the use of local shop networks. I therefore think that flash delivery companies could offer their transport services to many more parties, even those outside traditional retail. Just now you only see Gorillas delivery drivers delivering Gorillas goods, or Flink drivers only transporting Flink items. However, if these parties were to deploy their delivery networks more broadly, they could take a huge leap forward in efficiency.

## **Will rapid delivery services eventually be absorbed or replaced by traditional retailers?**

Companies that focus on rapid delivery alone will not succeed. The market share is too small and so is the purchasing power of these firms, having as they do, to incur high costs to supply their hubs in city centres.

If they partner up with existing retailers, they can benefit from strengths such as the purchasing power and efficient distribution networks of traditional food retailers. Conversely, we're seeing that food retailers do not want to lose sales to rapid deliverers, making it entirely possible that we could see traditional food retailers and quick commerce start-ups working together to share square meterage in micro-fulfilment centres, supply routes and delivery services all over Europe in the near future.



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